

107TH CONGRESS
1ST SESSION

H. R. 3312

To amend the Internal Revenue Code of 1986 to eliminate foreign base company shipping income from foreign base company income.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 16, 2001

Mr. WELLER (for himself, Mr. RANGEL, Mr. CRANE, Mr. FOLEY, Mr. SHIMKUS, and Mrs. BIGGERT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to eliminate foreign base company shipping income from foreign base company income.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “RAFT (Restore Access
5 to Foreign Trade) Act”.

1 **SEC. 2. ELIMINATION OF FOREIGN BASE COMPANY SHIP-**
 2 **PING INCOME AS FOREIGN BASE COMPANY**
 3 **INCOME.**

4 (a) ELIMINATION OF FOREIGN BASE COMPANY SHIP-
 5 PING INCOME.—Section 954 of the Internal Revenue Code
 6 of 1986 (relating to foreign base company income) is
 7 amended—

8 (1) by striking paragraph (4) of subsection (a)
 9 (relating to foreign base company shipping income),
 10 and

11 (2) by striking subsection (f) (relating to for-
 12 eign base company shipping income).

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subparagraph (D) of section 904(d)(2) of
 15 such Code (relating to the definition of shipping in-
 16 come for purposes of the foreign tax credit) is
 17 amended to read as follows:

18 “(D) SHIPPING INCOME.—

19 “(i) IN GENERAL.—The term ‘ship-
 20 ping income’ means income derived from,
 21 or in connection with, the use (or hiring or
 22 leasing for use) of any aircraft or vessel in
 23 foreign commerce, or from, or in connec-
 24 tion with, the performance of services di-
 25 rectly related to the use of any such air-
 26 craft, or vessel, or from the sale, exchange,

1 or other disposition of any such aircraft or
2 vessel.

3 “(ii) SPECIAL RULES.—

4 “(I) Such term includes divi-
5 dends and interest received from a
6 foreign corporation in respect of which
7 taxes are deemed paid under section
8 902 (other than dividends from a non-
9 controlled section 902 corporation out
10 of earnings and profits accumulated
11 in taxable years beginning before Jan-
12 uary 1, 2003) and gain from the sale,
13 exchange, or other disposition of stock
14 or obligations of such a foreign cor-
15 poration to the extent that such divi-
16 dends, interest, and gains are attrib-
17 utable to shipping income.

18 “(II) Such term includes that
19 portion of the distributive share of the
20 income of a partnership attributable
21 to shipping income.

22 “(III) Such term includes any in-
23 come derived from a space or ocean
24 activity (as defined in section
25 863(d)(2)).

1 “(IV) Such term does not in-
2 clude, except as provided in subclause
3 (I), any dividend or interest income
4 which is foreign personal holding com-
5 pany income as defined in section
6 954(c).

7 “(V) Such term does not include
8 financial services income.”.

9 (2) Section 952(c)(1)(B)(iii) of such Code is
10 amended by striking subclause (I) and redesignating
11 subclauses (II) through (VI) as subclauses (I)
12 through (V), respectively.

13 (3) Section 953 of such Code is amended—

14 (A) by striking “954(i)” and inserting
15 “954(h)” in subsections (b)(3) and (e) each
16 place it appears, and

17 (B) by striking “954(h)(7)” and inserting
18 “954(g)(7)” in subsection (e)(7)(A).

19 (4) Section 954 of such Code is amended—

20 (A) in subsection (a) by inserting “and” at
21 the end of paragraph (3) and redesignating
22 paragraph (5) as paragraph (4),

23 (B) in subsection (b)—

24 (i) by striking “the foreign base ship-
25 ping income,” in paragraph (5),

1 (ii) by striking paragraphs (6) and
2 (7), and

3 (iii) by redesignating paragraph (8) as
4 paragraph (6), and

5 (C) by redesignating subsections (g), (h),
6 and (i) as subsections (f), (g), and (h), respec-
7 tively.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years of foreign corpora-
10 tions beginning after December 31, 2001, and to taxable
11 years of United States shareholders (within the meaning
12 of section 951(b) of the Internal Revenue Code of 1986)
13 within which or with which such taxable years of such for-
14 eign corporations end.

○